

## Message Text

UNCLASSIFIED

PAGE 01 JAKART 01063 240923Z  
ACTION EB-08

INFO OCT-01 EA-09 ISO-00 H-02 AID-05 IGA-02 COME-00 /027 W  
-----241020Z 019819 /22  
R 240840ZJAN 77  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC 8889

UNCLAS JAKARTA 1063

FOR JOHN BLANEY EB/IFO/ODF

E.O.11652: N/A  
TAGS: EFIN,EAID,OREP,ID  
SUBJ: SENATOR GRAVEL'S PAPER ON TAXATION FOR DEVELOPMENT  
ASSISTANCE

REF: STATE 009837

1. EMBASSY HAS GIVEN CAREFUL THOUGHT TO SENATOR GRAVEL'S INTERESTING PROPOSAL AND BELIEVES THAT SUCCESSFUL IMPLEMENTATION OF AN APPROACH SUCH AS HE HAS SET FORTH COULD BE OF GREAT BENEFIT BOTH TO DEVELOPING COUNTRIES WHICH CHOSE TO PARTICIPATE AND TO MNC'S. WE ARE PARTICULARLY STRUCK BY THE FACT THAT THE PROPOSAL IS DESIGNED TO MAKE LIFE EASIER FOR THE MNC'S BY MAKING THEM MORE PALATABLE TO THE LDC'S AS WELL AS TO INCREASE U.S. ASSISTANCE CONTRIBUTIONS. PROPOSAL DOES NOT ATTEMPT TO OBFUSCATE THE FORMER GOAL.

2. IN OUR POINION, AT LEAST TWO SUBSTANTIAL PROBLEMS WOULD NEED TO BE OVERCOME FOR THE SUGGESTION TO BE WORKABLE. FIRST IT IS NO ACCIDENT THAT OUR ODA IS CURRENTLY AT A COMPARITIVELY LOW LEVEL; THE LEVEL HAS BEEN DETERMINED BY THE ACTIONS OF OUR LEGISLATIVE BRANCH. SENATOR GRAVEL'S PROPOSAL 'USING 1975 AS AN EXAMPLE) WOULD ENVISION A NEAR DOUBLING OF USG-PROVIDED AID, FROM UNCLASSIFIED

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\$5.1 BILLION TO \$10 BILLION. THE \$4.9 BILLION ADDITIONAL WOULD NOT BE TERMED ODA BUT WOULD AMOUNT TO THE SAME THING IN FOREGONE REVENUE. IT SEEMS TO US THAT A PROFOUND CHANGE IN ATTITUDE ON THE PART OF THE LEGISLATIVE BRANCH WOULD BE REQUIRED BEFORE SUCH AN INCREASE IN FOREIGN AID WOULD BE FORTHCOMING.

3. A SECOND POTENTIAL STICKING POINT IS THE POSSIBILITY, OR EVEN LIKELIHOOD, THAT THE DESIGNATED RECIPIENTS MIGHT SIMPLY PROPOSE THAT THE DEVELOPMENT ASSISTANCE TAX BE LEVIED, AND RECEIVED, DIRECTLY BY THEM. WHY INVOLVE THE USG AS AN INTERMEDIARY IN A PROGRAM THE INTENT OF WHICH IS TO PASS FUNDS FROM A CONCERN WITHIN A COUNTRY TO THE GOVERNMENT OF THAT SAME COUNTRY. LDC'S COULD ARGUE, WITH SMOE LOGIC, WE BELIEVE, THAT IF THE USG IS SINCERE IN ITS DESIRE TO INCREASE ASSISTANCE LEVELS, IT COULD GRANT TO MNC'S A CREDIT FOR ASSISTANCE TAXES COLLECTED BY THE HOST GOVERNMENTS THEMSELVES.

NEWSOM

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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* UNCLASSIFIED

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEVELOPMENT PROGRAMS, LESS DEVELOPED COUNTRIES, TAXES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 24-Jan-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
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**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** n/a  
**Errors:** n/a  
**Expiration:**  
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**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Reference:** 77 STATE 9837  
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**SAS ID:** 3676324  
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**Status:** <DBA CORRECTED> mcm 970826  
**Subject:** SENATOR GRAVEL'S PAPER ON TAXATION FOR DEVELOPMENT ASSISTANCE  
**TAGS:** EAID, EFIN, OREP, ID, (GRAVEL, MIKE)  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/aeeae4dd-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
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